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RICH'S inc.
annual report
fiscal year ended
January 30, 1965

RICH'S inc.

Atlanta born
Atlanta owned
Atlanta managed

financial highlights

from the earnings statement	*Fifty-two weeks ended January 30, 1965*	*Fifty-two weeks ended February 1, 1964*
Net Sales	$116,013,903	$105,434,116
Percent Sales Increase	10.0%	10.5%
Earnings Before Taxes	11,825,574	10,904,631
Percent of Sales	10.2%	10.3%
Earnings After Taxes	5,627,574	4,960,631
Percent of Sales	4.9%	4.7%
Earnings per Share of Common	2.09	1.85
Common Dividends Paid	2,398,059	2,122,871
Dividends Paid per Share of Common	.90	.80
Gain from Sale of Property, less applicable taxes on income	820,842	—
Earnings Retained in Company	4,005,919	2,785,186
Percent Return on Common Equity	12.48%	11.94%
from the statement of financial condition		
Working Capital	$ 42,077,780	$ 39,465,157
Ratio of Current Assets to Current Liabilities	5.1	4.6
Expenditures for Property and Equipment	2,927,606	4,782,291
Common Shareholders' Investment	47,161,817	43,032,036
Book Value per Share of Common	17.69	16.20
Number Common Shares Outstanding	2,666,166	2,656,626
Number Common Shareholders	4,006	3,639

Transfer Agents

Common Stock, Trust Company of Georgia
Atlanta, Georgia

Preferred Stock, Irving Trust Company
New York, New York

Registrars

Common Stock
Citizens and Southern National Bank
Atlanta, Georgia

Preferred Stock
Chase Manhattan Bank
New York, New York

Legal Counsel

King and Spalding Atlanta, Georgia

to the stockholders of Rich's inc.

We are happy to report that the year just ended again produced for your company new records in sales and earnings. You will note from the accompanying statement that our total sales gain for the year 1964 was 10% ahead of 1963, or $116,014,000 against $105,434,000.

It is to be pointed out, however, that this gain is not entirely comparable, since our new store at Cobb County Center was not completed until July, 1963. Eliminating the Cobb store, the Downtown, Lenox and Belvedere units show a gain of 6.0% for the year. This is the fourteenth year of consecutive increase in volume in the Atlanta market (in the year 1961, after selling the Knoxville store, our total corporate gain showed a slight decrease). In spite of the opening of a number of large, competitive units, Rich's maintained its share of the total Atlanta market during the past year.

Our net income for 1964 also reached a record high of $5,628,000, an increase of $667,000 over 1963. Our earnings per share rose to $2.09 a share compared with $1.85 last year, after adjusting for the three-for-two stock split in May, 1964. This does not include a capital gain on the sale of land equal to 31 cents per share for 1964.

dividends

In February of this year, the Board of Directors declared a dividend of 25 cents a common share, payable May 1, 1965. On an annual basis, this is $1.00 per share, compared to 90 cents per share paid in 1964. This is the eighth consecutive year of increased dividends to stockholders.

branch stores

The latter portion of this report shows sketches and drawings of our two new branch stores now under construction. It is believed that these stores will open on schedule and that, due to these additional facilities, in the year 1965 we should again increase our share of the market.

Richard H. Rich
Chairman of the Board

Harold Brockey
President

computer installation

A year ago we called your attention to the increase in our receivables due to some delays in mailing bills because of installing our computer. We are pleased to report that our computer conversion has been completed — there has been no delay in mailing of bills since the spring of 1964 — and the additional information provided by the computer should enable us to manage our receivables more effectively. At the end of 1964, our customer accounts receivable had decreased somewhat in dollar amount, compared with 1963, despite the significant increase in credit sales. We are proceeding to use the computer in other areas to provide faster information for our merchandising people, making it possible for them to keep pace with our expanding operation.

organization

During the past year, Mr. Elmer Etling, our Treasurer, reached retirement age. His place has been competently filled by Mr. Kenneth Mages, who joined our organization on May 1, 1964, as Financial Vice President and Treasurer. There have been numerous other promotions within our organization during the year due to our expanding operation, and we feel that many of our younger people are maturing and accepting new responsibility in a most satisfactory and gratifying way.

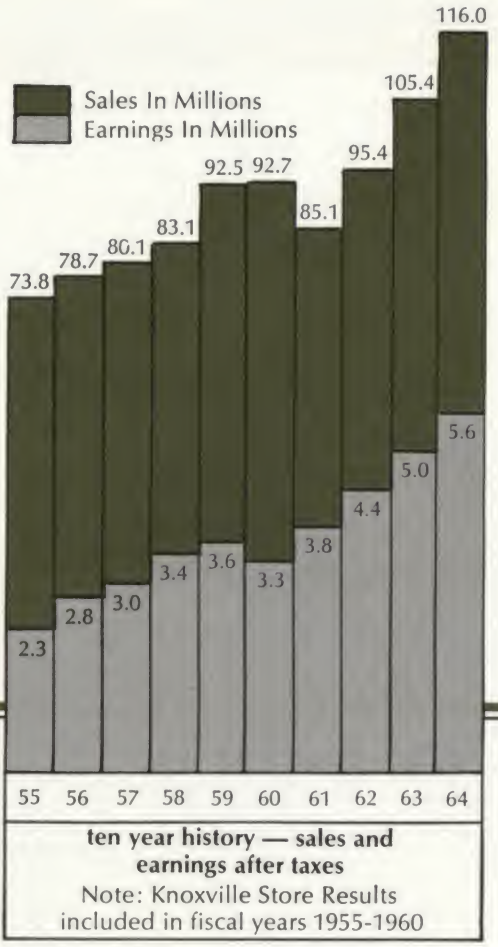
We are indebted to all of Rich's employees, and are most grateful for their devotion to duty and their splendid spirit of dedication to Rich's continuing policy of serving our customers.

Harold Brockey
HAROLD BROCKEY, President

Richard H. Rich
RICHARD H. RICH, Chairman of the Board

April 13, 1965

ten year history of sales, net earnings and common stockholders' investment



ten year history — sales and earnings after taxes

Note: Knoxville Store Results included in fiscal years 1955-1960

Fiscal Year Ended	*Net Sales* (000)	*Net Earnings Before Income Taxes* (000)	*Net Earnings After Income Taxes* (000)	*Net Earnings Per Common Share* (Note)	*Dividends Per Common Share* (Note)	*Common Stockholders' Investment* (000)	*Common Stockholders' Investment Per Share* (Note)
January 30, 1965	116,014	11,826	5,628	2.09	0.90	47,162	17.69
February 1, 1964	105,434	10,905	4,961	1.85	0.80	43,032	16.20
February 2, 1963	95,439	9,881	4,432	1.65	0.73	40,053	15.17
February 3, 1962	85,100	8,324	3,816	1.43	0.67	37,115	14.18
January 28, 1961	92,726	6,709	3,270	1.23	0.60	34,999	13.47
January 30, 1960	92,511	7,745	3,569	1.36	0.55	32,248	12.57
January 31, 1959	83,149	7,367	3,438	1.32	0.53	29,995	11.81
February 1, 1958	80,103	6,610	3,025	1.18	0.50	27,761	11.10
February 2, 1957	78,693	6,286	2,848	1.11	0.47	25,830	10.46
January 28, 1956	73,845	5,053	2,340	0.91	0.47	24,103	9.80

Note — Based upon number of shares outstanding on January 30, 1965 for the year then ended; for earlier years based upon number of shares outstanding at end of each year after adjustment for the two-for-one stock split in year ended January 28, 1956 and the three-for-two stock split in year ended January 30, 1965.

comparative statements of net earnings and retained earnings

	Fifty-two weeks ended January 30, 1965	*Fifty-two weeks ended February 1, 1964*
net sales, including leased departments	$116,013,903	$105,434,116
costs and expenses:		
Cost of goods sold and expenses, exclusive of items listed below	$ 99,342,302	$ 90,198,732
Depreciation and amortization	1,859,848	1,761,561
Repairs and maintenance	796,118	637,632
Taxes, other than taxes on income	1,431,957	1,349,164
Interest	502,782	381,484
Contribution to retirement plan	441,783	400,690
	$104,374,790	$ 94,729,263
	$ 11,639,113	$ 10,704,853
other miscellaneous revenues less expenses	186,461	199,778
earnings before taxes on income	$ 11,825,574	$ 10,904,631
federal and state taxes on income	6,198,000	5,944,000
net earnings	$ 5,627,574	$ 4,960,631
special item—gain from sale of property, less applicable taxes on income	820,842	
net earnings and special item	$ 6,448,416	$ 4,960,631
less cash dividends paid:		
Preferred Stock — $3.75 a share	44,438	52,574
Common Stock — equivalent to $.90 a share in 1965 and $.80 in 1964, on the shares as constituted after a three-for-two stock split in May, 1964	2,398,059	2,122,871
	$ 4,005,919	$ 2,785,186
retained earnings at beginning of year	33,466,665	30,681,479
retained earnings at end of year	$ 37,472,584	$ 33,466,665

see notes to financial statements

Rich's inc.
comparative statements of financial condition

ASSETS

	January 30, 1965	February 1, 1964
Current Assets:		
Cash	$ 2,097,611	$ 1,367,881
Temporary cash investments	$ 2,100,000	$ 1,100,000
Receivables:		
Customers' regular and instalment accounts	$35,298,070	$35,656,398
Other receivables	180,731	184,126
	$35,478,801	$35,840,524
Less allowance for doubtful accounts	790,000	790,000
Net receivables	$34,688,801	$35,050,524
Merchandise inventories — at lower of cost (first-in, first-out basis) or market, determined principally by the retail inventory method	$12,780,514	$12,117,658
Prepaid expenses and other assets	$ 558,896	$ 676,811
Total Current Assets	$52,225,822	$50,312,874
Property and Equipment — at cost:		
Land	$ 3,396,852	$ 3,795,517
Buildings and improvements	23,472,607	21,427,017
Fixtures and equipment	8,207,044	8,512,215
	$35,076,503	$33,734,749
Less accumulated depreciation and amortization	11,991,366	11,717,370
	$23,085,137	$22,017,379
	$75,310,959	$72,330,253

LIABILITIES

	January 30, 1965	February 1, 1964
Current Liabilities:		
Accounts payable	$ 4,093,848	$ 4,828,351
Accrued expenses	2,487,089	2,530,605
Federal and state taxes on income	3,242,105	3,163,761
Long-term debt due within one year	325,000	325,000
Total Current Liabilities	$10,148,042	$10,847,717
Long-Term Notes Payable, due after one year:		
2.90%, due annually 1965 to 1970	$ 875,000	$ 1,050,000
4.25%, due annually 1965 to 1975	1,850,000	2,000,000
4.875%, due annually 1966 to 1982	4,000,000	4,000,000
4.60%, due annually 1967 to 1983	4,000,000	4,000,000
	$10,725,000	$11,050,000
Deferred Taxes on Income — arising from:		
Instalment method of reporting income	$ 5,139,000	$ 5,354,000
Accelerated depreciation	961,000	849,000
	$ 6,100,000	$ 6,203,000
Stockholders' Investment:		
Capital stock (at January 30, 1965):		
Cumulative Preferred Stock, $100 par, issuable in series, authorized 38,100 shares — Note A:		
3¾% series — 23,100 shares issued, less 11,339 shares held in treasury for retirement	$1,176,100	$ 1,197,500
Common Stock, without par value — Notes B and F:		
Authorized 3,000,000 shares; outstanding 2,666,166 shares, at stated value	8,795,882	8,673,334
Additional paid-in capital — Note C	893,351	892,037
Retained earnings — Note D	37,472,584	33,466,665
Total Stockholders' Investment	$48,337,917	$44,229,536
	$75,310,959	$72,330,253

see notes to financial statements

notes to financial statements

YEAR (52 weeks) ENDED JANUARY 30, 1965

(A) Redemption of Preferred Stock:

The Preferred Stock is redeemable at $102.50 a share plus accrued dividends. Sinking fund provisions have been met through January 30, 1965, and the Company has purchased in advance 11,339 shares to meet future requirements at the rate of 700 shares a year.

(B) Stock Options:

Options to purchase Common Stock at market value at the date of grant (from $9.08⅓ to $13.16⅔ a share) have been granted to officers and management employees under a restricted stock option plan approved by the stockholders in 1948. Transactions during the year relating to this plan were as follows:

	Shares granted and outstanding
Balance at February 1, 1964	54,720
Adjustment for three-for-two stock split in May, 1964	25,930
Options exercised	(8,110)
Balance at January 30, 1965	72,540
Shares under option exercisable at January 30, 1965	1,200

In addition, on August 25, 1964, the Board of Directors approved the granting of an option for 6,000 shares of Common Stock at market value at date of grant ($41.00 a share) under a qualified stock option plan.

The shares reserved but not granted under the restricted stock option plan are no longer available for granting under that plan because of restrictions imposed by the Revenue Act of 1964. Subsequent to year end the Board of Directors approved the reserving of 51,800 shares under a qualified stock option plan to be submitted to the stockholders at the annual meeting in April, 1965.

(C) Additional Paid-In Capital:

Additional paid-in capital was increased during the year by $1,314, this amount being the excess of par value over the cost of 214 shares of Preferred Stock purchased.

(D) Limitations on Retained Earnings:

Under the agreements relating to long-term debt and Preferred Stock, at January 30, 1965, $4,288,000 of retained earnings was available for payment of cash dividends and acquisition by the Company of its capital stock.

(E) Leases:

At January 30, 1965, the Company was lessee under eleven leases expiring from 1967 to 2053, except for the lease on Lenox Square parking property which expires in 2957, which provide for present aggregate minimum annual rentals of approximately $539,000 plus, in some instances, taxes, insurance and other expenses.

(F) 3.90% Convertible Sinking Fund Notes:

On February 24, 1965, the Company issued 3.90% Convertible Sinking Fund Notes, due annually from February 1, 1971 to February 1, 1980, in the aggregate principal amount of $4,000,000 to two institutional investors. The Notes are convertible into Common Stock of the Company through February 1, 1975, at a conversion price of $50.00 per share, and thereafter to and including February 1, 1980, at a conversion price of $57.50 per share. 80,000 shares of the authorized and unissued Common Stock of the Company have been reserved for issuance upon conversion.

Rich's inc.
statement of sources and uses of funds
year ended January 30, 1965

Sources of Funds:	
Net earnings for the year	$5,627,574
Depreciation and amortization	1,859,848
Decrease in deferred income taxes	(103,000)
Funds provided by operations	$7,384,422
Net gain from sale of property (special item)	820,842
Sale of common stock	122,548
Decrease in accounts receivable and other assets	479,638
	$8,807,450
Uses of Funds:	
Increase in cash and cash investments	$1,729,730
Increase in merchandise inventories	662,856
Decrease in accounts payable and accrued liabilities	699,675
Net additions to property and equipment	2,927,606
Acquisition of preferred stock	20,086
Payments on long-term debt	325,000
Cash dividends paid	2,442,497
	$8,807,450

Accountants' Report

Board of Directors,
Rich's, Inc.,
Atlanta, Georgia.

March 26, 1965

We have examined the accompanying statement of financial condition of Rich's, Inc. as of January 30, 1965, the related statement of net earnings and retained earnings for the year (52 weeks) then ended, and the statement of sources and uses of funds. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Rich's, Inc. at January 30, 1965, and the results of its operations for the year (52 weeks) then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Further, it is our opinion that the statement of sources and uses of funds presents fairly the information therein set forth.

Touche, Ross, Bailey & Smart

Board of Directors

JOSEPH F. ASHER
HAROLD BROCKEY
LOUIS CARROL
R. HOWARD DOBBS, JR.
President, Life Insurance Company of Georgia
ELMER H. ETLING, SR.
ALVIN M. FERST, JR.
BEN S. GILMER
President, Southern Bell Telephone Company

JOSEPH K. HEYMAN
Senior Vice-President Trust Company of Georgia
A. CARL KOTCHIAN
Vice-President Lockheed Aircraft Corporation
KENNETH P. MAGES
WALTER M. MITCHELL
Vice-President Draper Corporation
LOUIS MONTAG
Senior Partner, Montag and Caldwell

FRANK H. NEELY
RICHARD H. RICH
CECIL S. SEMPLE
PETER J. STELLING
SAMUEL M. STERN
OSCAR R. STRAUSS, JR.
Selig Manufacturing Company
ROBERT B. TROUTMAN, SR.
Senior Partner, King and Spalding
BENNETT F. TUCK, JR.
JOSEPH S. WATTERS

Corporate Officers

RICHARD H. RICH ..... *Chairman of the Board*
HAROLD BROCKEY ..... *President*
FRANK H. NEELY ..... *Chairman of Executive Committee*
JOSEPH F. ASHER ..... *Secretary*
KENNETH P. MAGES ..... *Financial Vice-President and Treasurer*
K. EDWARD DYE ..... *Assistant Secretary and Assistant Treasurer*

Operating Officers

LOUIS CARROL
Senior Vice-President and General Merchandise Manager
CECIL S. SEMPLE
Senior Vice-President in Charge of Operations
JOSEPH F. ASHER
Vice-President in Charge of Men's Store

ALVIN M. FERST, JR.
Vice-President and Superintendent of Plant Management and Construction
PETER J. STELLING
Vice-President in Charge of Fashion Store

SAMUEL M. STERN
Vice-President in Charge of Basement Store
BENNETT F. TUCK, JR.
Vice-President and General Superintendent
JOSEPH S. WATTERS
Vice-President in Charge of Store for Homes

Executive Committee

Frank H. Neely, Chairman
Richard H. Rich
Harold Brockey
Joseph F. Asher
Louis Carrol
Alvin M. Ferst, Jr.
Kenneth P. Mages
Cecil S. Semple

Salary Committee

Frank H. Neely, Chairman
Richard H. Rich
R. Howard Dobbs, Jr.
Ben S. Gilmer
Robert B. Troutman, Sr.

Finance and Audit Committee

R. Howard Dobbs, Jr. Chairman
Joseph K. Heyman
Kenneth P. Mages
Walter M. Mitchell
Louis Montag

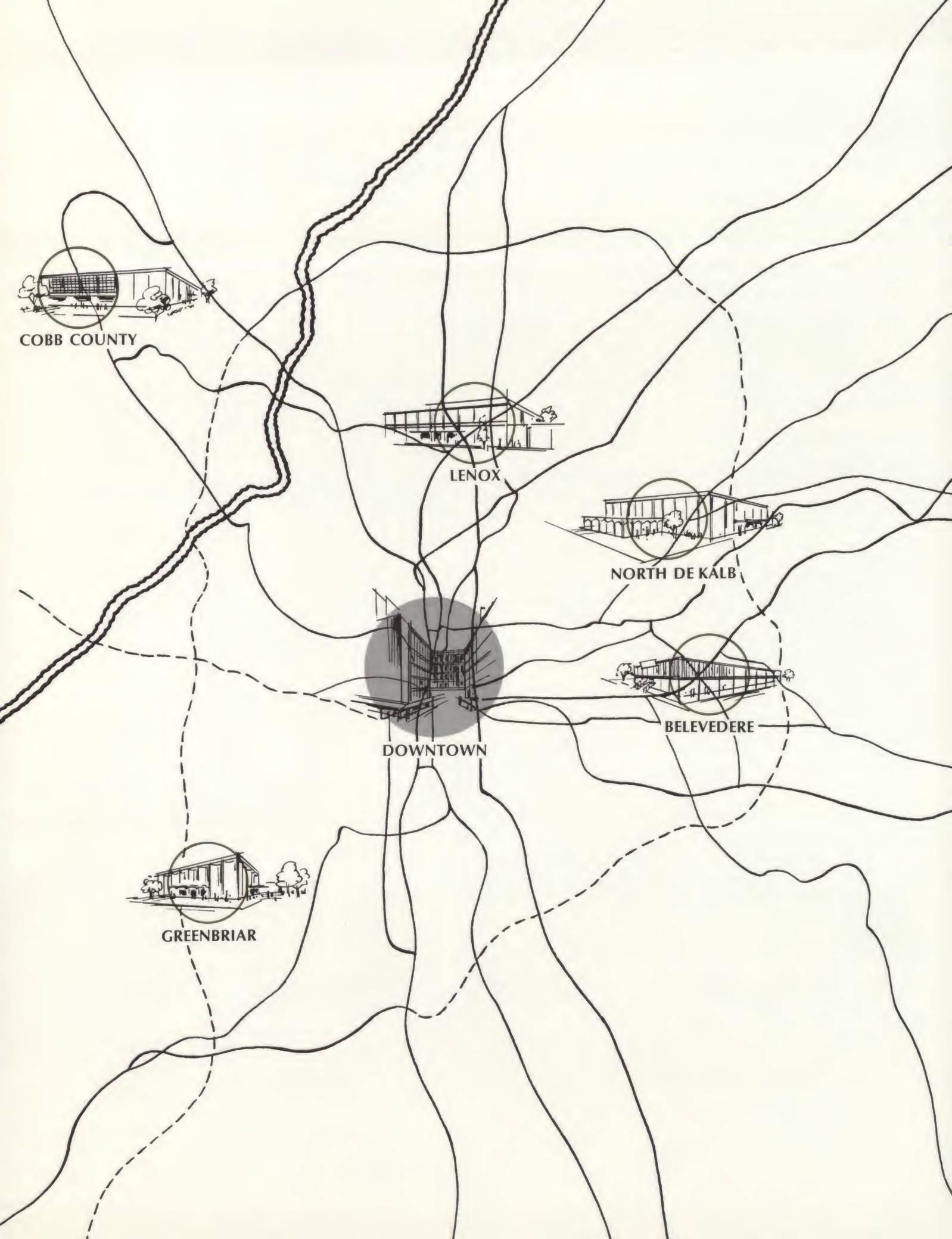
Rich's...
today and tomorrow

the main store . . .
Downtown

Improvements made during the last year include widening of Hunter street, providing a new front and entrance, and the installation of automatic elevators. The downtown store covers approximately 26 acres of floor space, and in the past year about 90,000 sq. ft. was added at the rear of the Store for Homes, providing new space on the Plaza Floor for the Music Center, Sporting Goods, Luggage, Toys and 3 customer meeting rooms that can be combined into one auditorium. Furniture Departments were expanded on the 4th floor and on the 3rd, space was added for Draperies, Curtains and Pictures, plus a new Fine Arts Gallery. Cafe III was installed on the 3rd floor bridge providing a new addition to customer facilities. The remaining area has been equipped with additional service facilities for Downtown and branches.

Self-Park Garage

Our garage will soon be expanded again, adding another 1/3 of space by additional floors and new entrance and exit off Spring Street, allowing easy access to and from the downtown expressway.

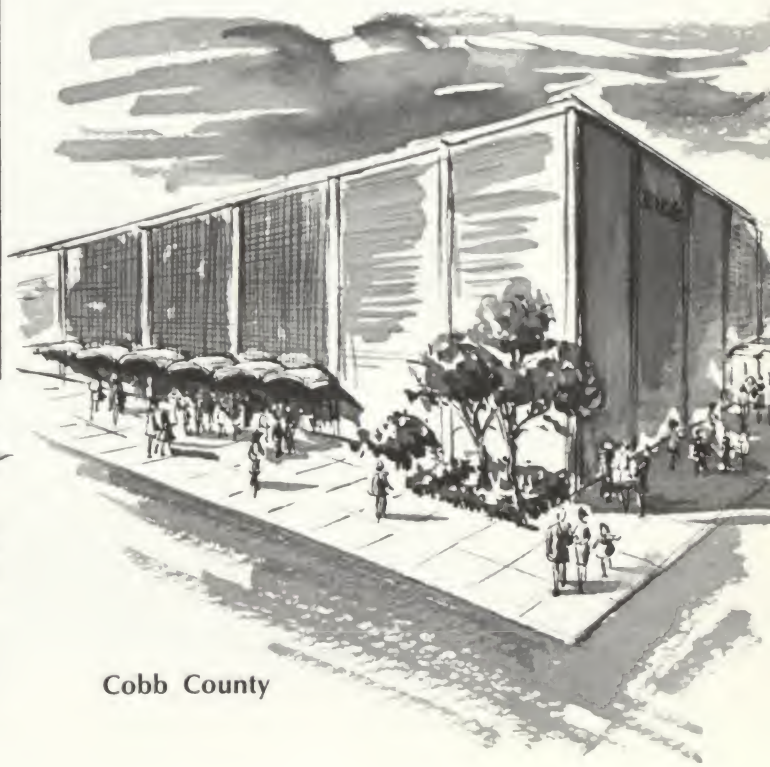

COBB COUNTY
LENOX
NORTH DE KALB
DOWNTOWN
BELEVEDERE
GREENBRIAR

present
suburban branches

Lenox

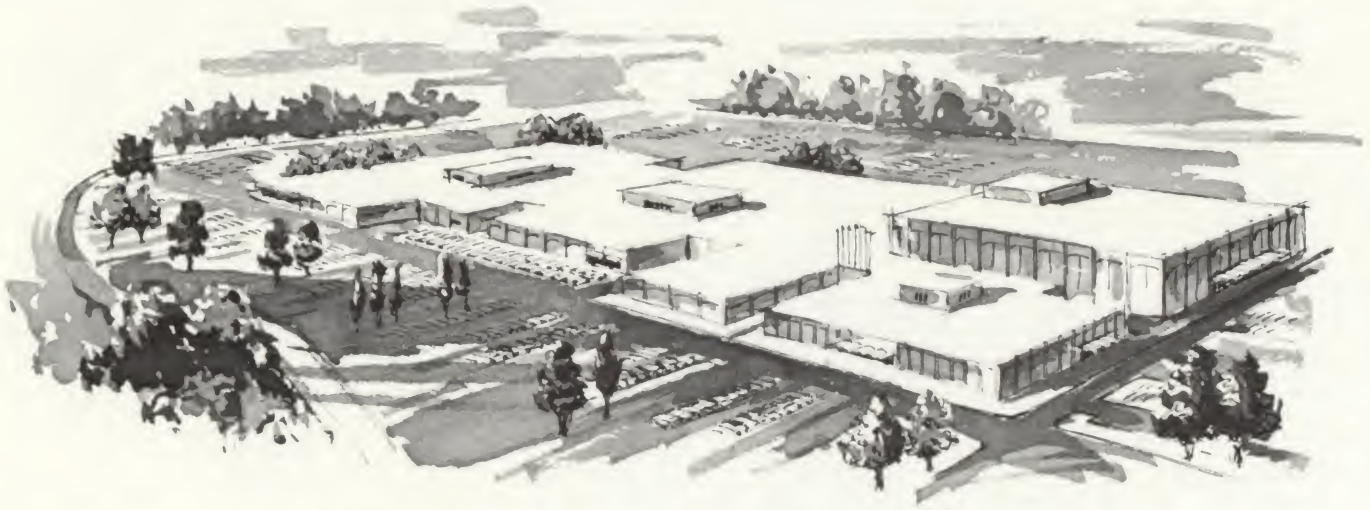
Rich's suburban branch store program began in 1959 with the opening of Lenox Square and Belvedere Plaza. Both these stores have had large expansions since. As the branch store volume continued to grow, the Cobb County Center Store was opened in 1963. During the last year, these stores accounted for about 40% of Rich's total sales volume. The Lenox Square Store has continued to perform at an excellent rate of growth, and is now one of the major retail stores in the South. The Belvedere Plaza Store has had substantial increase in sales, showing excellent growth and maturity, in spite of competitive retail facilities which have opened in the trade area. Rich's Cobb County Store has had continually increased sales since its opening in 1963; and during the past year has shown substantial increases in excess of plan.

Belvedere

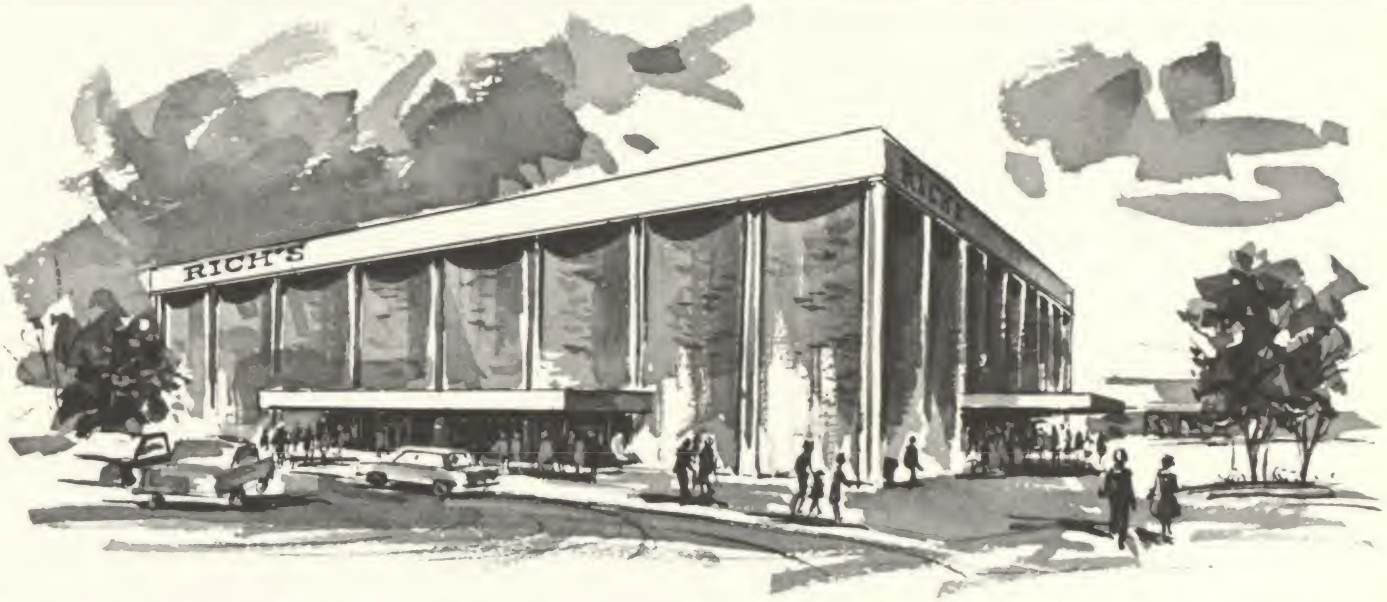
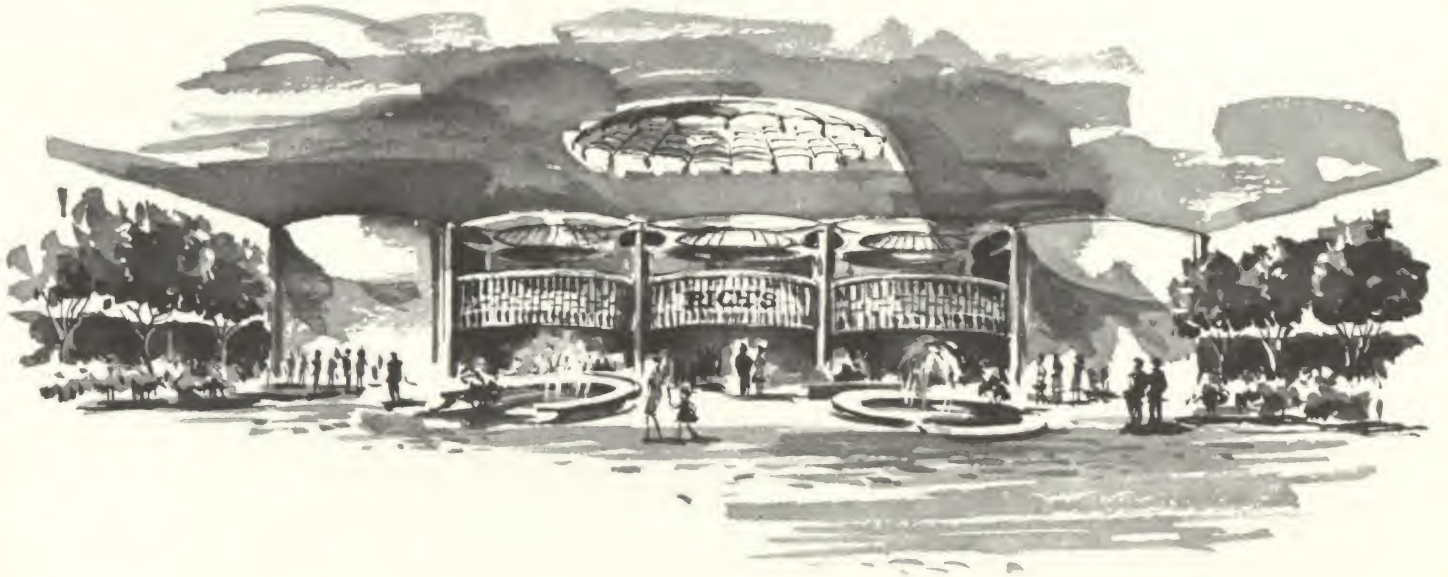


Cobb County

two new
suburban stores



North DeKalb North DeKalb Center, opening in late July, will provide year-round climate control for the first time in Atlanta, with a covered mall, comfortably air-conditioned in the summer and heated in the winter, allowing customers to stroll from Rich's store to any of the other 51 stores in the shopping center without being exposed to outside weather conditions. Rich's store of 160,000 sq. ft. will be comprised of 2 connecting buildings, a two-story fashion and home furnishings store and adjacent one-floor store housing the budget departments, Sporting Goods and Music Center. This store will provide the customers of the North DeKalb area with a complete Rich's store, offering all Rich's services, including more than ample parking facilities with easy access from adjacent roads. There will be a luncheonette easily accessible from the first floor and a Tea Room opening from the second floor of Rich's overlooking the beautifully landscaped Mall.



Greenbriar Shopping Center Rich's store in the Greenbriar Shopping Center is scheduled to open in early Fall, 1965, and will have all of Rich's departments and services located on 3 floors in a store of 160,000 sq. ft. This store will be surrounded by spacious parking areas on 3 sides with direct entrance into 2 levels of the store. The 4th side opens into the Mall which will have a clear roof, giving the pleasant feeling of the outdoors, and at the same time protecting from inclement weather; allowing for air-conditioning in the summer and heating in the winter. In addition to Rich's Tea Room, the shopping center will provide several eating facilities for the customers' convenience, together with a second department store and approximately 60 other stores to provide complete shopping facilities for the customers of Southwest Atlanta's rapidly expanding market, which is waiting for just such a shopping center as Greenbriar.